EXCISE 127229

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Department of State

TELEGRAM

PET 6 Libya
PET 12 Libya

6 AUG 70 22 41z

INDICATE:
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ACTION: Amembassy BONN
Amembassy BUCHAREST
Amembassy LONDON
Amembassy MOSCOW
Amembassy PARIS
Amembassy ROME
Amembassy TRIPOLI
Amembassy VIENNA
Amembassy WARSAW

INFO: USINT ALGIERS
Amembassy BEIRUT
Amconsul DHAHRAN
Amembassy JIDDA
Amembassy KUWAIT
Amembassy TEHRAN

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 9/7/81
PORTIONS DENIED AS INDICATED

127224

STATE

EXDIS

PET 6 Libya
PET 12 Libya

Subject: Implications of Libyans Taking Royalty Payments in Kind

POL 33 Libya
1. Continental Oil [redacted] informed AF/N today B4
that Libyan Min Petroleum PET 6 Libya requested Oasis (of which Continental member) on August 4 to deliver royalties in kind at the rate of 2.4 million rpt 2.4 million barrels over four months beginning September 1. Mabruk stated oil will be lifted in four tankers with destination Austria via Transalpine pipeline. He refused

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to disclose purchaser but stated that Eastern Europe was not the destination. He acknowledged that petroleum law required 90-day written notice of intention take royalties in kind but expressed belief that since volume small, ~~request~~ would pose no problem. According Oasis [redacted] B4 [redacted] Oasis only company so honored.

2. To ship oil via Transalpine, company must be member of Transalpine consortium. These include Austrian ~~Austria~~ state company OMV rpt OMV; European affiliates of Esso, Shell, BP, Texaco, Continental and Marathon, plus two or three small German firms.

3. Continental deeply worried that Libyan intent is to take possession of oil, secure better than present posted price of $2.23 rpt $2.23 as basis for demonstrating its case for increase in posted price. Continental New York believes Libyans can obtain minimum of $2.50 rpt $2.50, and perhaps substantially higher, given current tanker rates. [redacted]

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[redacted] B1, B4

4. [redacted] USSR or other B4
Bloc country may be subsidizing this operation through Libyans or purchaser to assist Libyans in driving up posted price. Alternatively, it occurs to us that European countries which worried by cutbacks in Libyan and Tapline production may be beginning to make their own arrangements, bypassing American producers Libya. Either alternative of considerable significance not only for posted price negotiation but for American investments Libya and role in European markets.

~~5. European addressees should be alert to arrangements~~
~~between purchasers and price this royalty oil and corporate~~
~~property. Embassy welcomes discussion in appropriate channels.~~
~~END~~

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~~XXXXXX~~ Amembassy BONN etc. - Page 4

5. We attach considerable importance to any information re purchaser and price this royalty oil, as well as nature of and participants in arrangement by which oil being sold. Posts should exercise great caution in any inquiries and should be careful not pass one company's info and speculation (as in paras above) to another.

GP-3

END

ROGERS

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